

CHAPTER VIII.

THE BANKS OF GERMANY.

The Bank of Prussia and the Share of the State in its Profits—Other Banks of Issue in Prussia and the Smaller States of Germany— The Reform of Currency and Banking under the Empire—The Sales of Silver and the Withdrawal of Paper Money—Absence of Legal Tender Character in the Bank-Notes.

THE existing banking system of the German Empire is a part of the fabric of imperialism which was so industriously built up by Prince Bismarck from the beginning of his premiership in 1862 until his retirement from office. The Imperial Bank of Germany is in a measure an expansion and development of the Bank of Prussia, which was founded in the time of Frederick the Great, but it has already absorbed the circulation belonging to the banks of most of the other German states and is authorized to absorb the entire paper circulation of the Empire as it is surrendered by the local banks, in much the same manner as the Bank of England is authorized by the Act of 1844 to absorb the circulation of the country banks of England and Wales. The circulation of the Imperial German Bank, while modelled in many respects on that of the Bank of England, is capable of a somewhat greater degree of elasticity, by virtue of a legal provision for an emergency circulation above the usual limit, and the notes are not a legal tender.

The Bank of Prussia was created by virtue of an edict of June 17, 1765, under the name of the Royal Bank of Loans and Current Accounts at Berlin (*Königliche Giro- und Lehn-bank 211 Berlin*) with a capital of 1,000,000 thalers (\$750,000)